REPORT ON
ECONOMIC IMPACTS AND OPPORTUNITIES
IN THE CULTURAL INDUSTRIES
ON PRINCE EDWARD ISLAND

EXECUTIVE SUMMARY

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Communications Canada
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Department of Community and
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Submitted by:

The DPA Group Inc.
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Prince Edward Island

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EXECUTIVE SUMMARY

1. INTRODUCTION

This study to determine the impact of the cultural industries on the economy of Prince Edward Island was undertaken at the request of Communications Canada and the P.E.I. Department of Community and Cultural Affairs. Secondary objectives were to: 1) determine future developmental opportunities for these industries; 2) establish the extent of any possible relationship between the cultural and tourism industries; 3) prepare an inventory of the various industrial sectors.

The report is presented in three parts:

- Executive Summary
- Volume 1: Economic Impacts and Developmental Opportunities
- Volume 2: Sectoral Descriptions and Inventory of producers by sectors

This Executive Summary relates to Volume 1 only.

1) Study Scope

The concept "cultural industries" was narrowly defined for purposes of this study, as including those activities which might reasonably be expected to fall within the ambit of government cultural development policies.

The study extended to the following sectors:

- Literary Arts
- Performing Arts

- Visual Arts
- Arts Education
- Crafts
- Film and Video
- Sound Production
- Heritage Institutions
- Festivals

Excluded from the study was consideration of impacts generated by radio and television broadcasting, newspapers, agencies of the Federal Government, and retail outlets other than those within the crafts sector. Although schools and libraries have been included in similar studies they were excluded from this study as being outside its purposes. Because of these exclusions, the findings on economic impacts will be quite conservative in relation to similar studies elsewhere. Impacts described in this report should be considered in that light.

2) Study Methodology

The major research activities were designed to approach the study objectives from several points of view. They included:

- a literature review, including reports on similar studies conducted in other provinces
- extensive personal interviews
- preparation of a detailed cultural sector inventory
- mail out/telephone quantitative survey
- focus group sessions with sectoral representatives
- examination of supplementary tourism reports

The primary study components, the sectoral inventory, the quantitative survey and the qualitative survey are briefly summarized below.

Sectoral Inventory: A comprehensive inventory of each sector was prepared, adopting the conventions of each sector and using a variety of sources to identify persons involved as professionals or as serious amateurs striving to become professional.

Quantitative Survey: The quantitative survey provided much of the information for the economic impact analysis. Using a table of random numbers, a sample of 80 industrial operations was selected from the combined inventories, providing a 95% confidence level within an error range of plus or minus 5%.

Qualitative Survey: To determine the present situation within each sector and likely opportunities for expansion, a series of focus group sessions were held with selected practitioners in each sector. These sessions were supplemented by individual interviews. These sources provided much of the information for the opportunities analysis.

2. THE CULTURAL INDUSTRIES ON PRINCE EDWARD ISLAND

The major findings of the quantitative research on economic impacts are as follows:

1) **The cultural industries have a significant total impact on the economy of Prince Edward Island.** Total sales in 1986 are estimated at $21,250,000, and the total number of jobs in the industries was approximately 3,000, which represents 900 person-years of employment.

The indirect and induced impacts are estimated at $14,025,000, for a total value of sales of $35,275,000; total jobs resulting from the cultural industries are estimated at 3,200, and total person-years at 1,080.

2) **The cultural industries are characterized by an informal business structure.** Almost 75% are unincorporated, and almost 60% operate out of the owner's home or workshop. About 75% sell directly to consumers rather than through external distribution and retail systems. Fewer than 20% use professional accounting services.

The majority of operations started up within the present decade; only 15% have been in business for more than ten years. This has the effect of hindering the industrialization of each sector, such as by the adoption of industrial methods and disciplines in design, production, and marketing.

3) **There is qualified optimism within the industries for future expansion.** Among the indicators which indicate a positive outlook for the future are:

- projections for increased business owner involvement
- projection for slight increase in annual employment
- projected increases in total annual sales
- anticipated business expansion

Sixty percent of operators anticipate growth in 1988 over their 1986 production.

4) **There is a general lack of industrial orientation and perspective.** Fifty-one percent of the operations are one-person operations, and there is considerable participation by volunteers. Only 53% of all operators derive more than half their income from the cultural industries. The average percentage of income derived by operators from cultural production in 1986 was 61%. Only 20% of all operators had annual incomes of $20,000 or more from these industries, and 47% reported making less than $5,000 from them.

The individual sectors represent a mix of full-time professionals, part-time professionals who supplement their income from other sources, serious amateurs, hobbyists, and volunteers. In the majority of cases, operator involvement is part-time, and in 27% it is seasonal.

It proved difficult to identify an "industrial core" in any of the sectors, most of which are without established or recognized industrial leadership.

5) **There is a significant but imprecisely identified linkage between tourism and the cultural industries on P.E.I.** Forty-five percent of all operators make 50% or more of their annual sales to tourists; this market is of particular importance to crafts and heritage institutions.

Participants in both surveys reported an increased interest in cultural tourism by comparison with even ten years ago. After idling-type activities (sun-bathing, shopping, sight-seeing,etc.) culturally related activities rank high among tourists, particularly visiting museums, galleries, craft shops,

and good dining. In two major market studies conducted for the P.E.I. Department of Tourism cultural activities ranked higher than amusement parks and night clubs, for example.

Another recent unpublished study showed that among non-resident patrons at a major summer festival, 82% had included it in their planned vacation activities, 9% indicated that it was the primary purpose of their visit, and 15% extended their stay in the province in order to attend.

6) **The cultural industries have achieved only a very limited exploitation of the export market.** The majority (57%) of operations did not make any sales off-Island in 1986. Sixteen percent made 50% or more of their sales in the export market.

7) **Government financial assistance has been important in the survival of the cultural industries on P.E.I.** Approximately 33% of survey respondents indicated that they had received some measure of government assistance in 1986, with about an equal number of grants being received from each level of government. Private business sponsors and individuals accounted for only 2% of the annual $900,000 received by these industries.

3. INDUSTRIAL STRENGTHS AND WEAKNESSES

Project research identified a number of substantial sources of strength upon which industrial development may be based, as well as several serious constraints which may inhibit development unless correctly and adequately addressed.

Strengths were identified as follows:

- **There exists a core of professionals within each sector.** These persons have a commitment to the continuing development of professional standards of production, and can serve as a focal point for industrial development in each case.

- **The province has a substantial and growing tourism market.** Beyond its present 800,000 annual visitor market, the province has an almost gigantic opportunity for the expansion of tourism in the Birthplace of Confederation theme, as indicated by the recently adopted Charlottetown Heritage Resources Report (September, 1987). If proposals in that Report are implemented, the interpretation of times and events of 1864 could generate a greatly increased tourism market from a much more affluent population segment than has characterized tourism in the province to date.

- **There is a rich and possibly under-recognized festivals program within the province.** These festivals, now largely organized and promoted by volunteers, can provide a showcase for the promotion of many cultural products if recognized for their full potential as market assemblers.

- **Certain P.E.I. cultural products have achieved a far-reaching brand name recognition.** In particular, Anne of Green Gables and other works by Lucy Maud Montgomery, the Charlottetown Festival, the Birthplace of Confederation, and Cavendish are widely identified with P.E.I. in Canada and elsewhere. Brand-names provide ready market recognition which can help promote the sale of other cultural products.

- **As an island province, "The Island" represents a cultural attraction in itself.** The Island is treasured by many of its visitors as a special place, unique in many respects, with a continuing attachment to traditional community values and social forms. The cultural agencies help present to visitors an understanding of the inner life of the province, and create a variety of Island images which are appealing to visitors.

- **The province has a long-established export market tradition.** Although export potential has not been significantly recognized within the cultural industries up to this time, the export experience in other industries can be transferred to this sector with some advantage.

- **Prince Edward Island has the advantage of major cultural institutions.** These represent resources that a community of the size of Prince Edward Island would not ordinarily be expected to enjoy, and include a university, college of applied arts and technology, a major arts centre, heritage institutions, provincial and regional arts councils, and special interest groups. Linked together in some form of mutually supportive network, these resources can assist selected expansion efforts in the cultural industries.

- **The cultural industries benefit from the continuing support of many hundreds of volunteers.** In addition, they enjoy the patronage of a solid core of public supporters.

Off-setting those strengths were a number of significant constraints, most of which were found in all sectors.

- **There is a failure of industrial vision and leadership in most sectors.** This is in part a reflection of the mix of participants already described, the ambivalence on the part of some producers as to the business nature of their involvement, a sometimes stronger orientation towards grants and public funding than towards marketing and sales, and heavy reliance in some sectors upon volunteer leadership.

  Without industrial organization there is no focal point for development activities, no source of support for individual operators, no central programming in such areas as product development, marketing, business development, new technologies, and so on. This is a serious constraint in almost all sectors. Even where organizations now exist some measure of strengthening is necessary if these are to direct sectoral development.

- **There is a lack of corporate strength and resources within individual operations.** This results in large part from the relatively large number of one-person operations, the lack of maturity on the part of the majority of businesses, and the informal nature of the business side of most operations.

- **There has not been sufficient attention to market expansion and promotion.** As in the above, this is also partly the result of the small size or one-person character of the individual operations, and their lack of human and financial resources for this task.

- **The necessary infrastructure support is either absent or is very weak in almost all industrial sectors.** For example, producers are often required to purchase

supplies at retail price from retail outlets, at less than desirable quality; technical support services are either inadequate or are not available; there is limited opportunity to acquire skills in new technology; and distribution systems or linkages with sales outlets have not been well developed.

- **There is inadequate provision for training and development.** This is true of both general and technical formation, and continuing mid-career education. The weak position of arts education in the schools, technical college, and university, affects both new recruitment and leadership development.

- **Provincial Government policies and programs have traditionally not benefited the cultural industries.** In some situations government action has indicated that a relatively low priority has been assigned to these activities. Federal Government programs have been more supportive, but they sometimes present access problems for Island-based operations.

- **There is a lack of private sector involvement and support.** This means that those sectors which have historically relied on contributions by patrons to ensure public access to their work must now rely entirely on government programs for supplementary funding, or otherwise work with significantly reduced client support.

- **There is a heavy reliance by the industries on the tourism market.** This has resulted in a high degree of seasonality in the industries, particularly in the case of heritage museums, crafts, and the performing and visual arts.

It will be necessary to address each of these constraints in considering developmental strategies and action plans for each sector. Success in industrial expansion is most likely to be experienced in those sectors which have been able to deal with constraints most effectively.

4. DEVELOPMENT OPPORTUNITIES

Development opportunities depend entirely on the successful exploitation of three major markets:

- the domestic market
- the tourism market
- the export market

Expansion of the **domestic market** may occur in one of four ways:

1) replacement of imports with locally produced products or services;

2) an increase in the purchasing power of the domestic market;

3) capturing market shares from suppliers in other sectors;

4) obtaining income from other than market sources.

The domestic or resident market is quite limited in size and does not represent a strong base for industrial expansion, except in the area of import replacement. The major possibilities in this market are for the Arts Education, Heritage Institution, Performing Arts, Visual Arts, and Festivals sectors.

The **tourism market** is an especially valuable sub-set of the export market, in that costs of advertising, marketing, distribution, and retailing are reduced. It provides most opportunities for the Heritage Institutions, Performing and Visual Arts, Festivals and Crafts sectors.

To increase the impact of the tourism market it is necessary to improve the province's cultural attractions and to highlight these in tourism promotional programs. Tourism promotion should be directed towards the more affluent visitors within the cultural tourism market segment.

The **export market** provides the greatest numerical strength, but is also the most difficult to penetrate, for many reasons. Major opportunities within this market are for Visual Arts, Sound Recording, Film and Video, and the Literary Arts sectors.

All sectors could have their markets reinforced if the Island were to present itself as a regional arts centre, highlighting the standards which have been achieved in a number of fields, and using major institutional resources as a marketing strength. By emphasizing the quality of its cultural products and promoting itself as a regional arts centre, P.E.I. would not only improve the marketability of those products, and would also encourage producers in their efforts to access the export market.

EXHIBIT 1 Areas for Market Expansion, by Sector

	MARKET		
SECTOR	**DOMESTIC**	**TOURISM**	**EXPORT**
Arts Education	* *		*
Heritage Institutions	* *	* *	
Performing Arts	* *	* *	*
Visual Arts	* *	* *	*
Festivals	* *	* *	
Crafts	*	* *	*
Sound Recording	*	*	* *
Film and Video	*		* *
Literary Arts		*	* *

* - limited room for expansion of market

** - significant room for expansion

5. STRATEGIES FOR DEVELOPMENT

A development strategy provides for a concentration of corporate efforts on predetermined objectives. This report proposes elements of a development strategy for consideration by both governments and the individual industrial sectors.

In the case of government, the report proposes eight core elements of a strategy, as follows:

- recognition by government that the cultural industries make a significant contribution to the economy of the province and to the quality of social life;
- redefinition of the concept and scope of the "cultural industries" for purposes of policy development;
- improved and targeted marketing as the key to growth in these industries;
- a provincial cultural products marketing effort based on brand-name recognition;
- incentives for entrepreneurial development within each sector, including encouragement of infrastructure support;
- enriched program funding in support of marketing, product development, and training;
- interim support for sectoral organizations;
- new emphasis on education and training for the cultural industries.

The report also proposes a number of elements as a basis for sectoral strategies. These are:

- establish some form of industrial organization in each sector, representative of at least the major producers;
- position each sectoral organization in a way that will enable it to influence industrial growth and development;
- promote professionalism among producers, leading to greater full-time participation in quality production;
- emphasize maximum feasible penetration of all available and accessible markets;
- promote business principles and methods among individual operators;
- develop infrastructure in support of production, including provision for application for new technologies;
- initiate public awareness programs.

6. POLICY PROPOSALS

The report cites five reasons which support increased public investment in the cultural industries. These are:

- the high level of economic activity generated in the province by the cultural industries;
- the important contribution which the cultural industries make to Island tourism;

- the value of the cultural industries in relation to quality-of-life considerations, as evident from their all-pervading presence in modern life;

- the importance of cultural activities in creating a milieu favoring social and economic growth;

- inability of the market to establish a fair price for cultural products.

The culturally-related functions of government identified in the 1982 Report of the Applebaum-Hebert Commission on Federal Government Cultural Policy have been used in the report in the presentation of proposals. (The numbering used here conforms to the proposal numbering in the report.)

6.1 Government as Proprietor

1. We propose that Government affirm its present and long-standing policy of not establishing itself a proprietor with respect to any of the cultural industries, and that it forego any in-house enterprises in any of the arts, including the applied arts.

6.2 Government as Custodian

2. We propose that government continue its policy of establishing the heritage custodial function in the hands of public organizations and that a new museums policy be prepared to that end, in consultation with heritage interests. Such a policy should then be supported by a significant increase in operating funds to designated core heritage facilities in each region of the province so as to permit year-round operation. Increased subsidies should be offered to designated

community museums which conform to museums policy requirements.

6.3 Government as Patron

3. We propose that the Government of P.E.I. now adopt the following modes of intervention in its role as patron in this field:

1) That government increase the amount of funds available in the Cultural Products Development Fund, and increase the maximum grant available to any one project by threefold the present amount.

2) That Government provide an Administrative Grant to the P.E.I. Council of the Arts to permit it to reorganize itself as a federation of sectoral and regional organizations, whose task it shall be to promote the cultural industries on P.E.I. in accordance with the general findings of this report.

3) That government recover from the Council of the Arts the Arts Assistance Grants Program, increase the program by at least a three-fold amount, and assign it for distribution to an Advisory Body or Commission representative of the eligible disciplines.

4) That government provide increased funding for the operations of Theatre P.E.I., with the provision that the latter establish formal links with the three regional theatre groups operating in the

province, and that Theatre P.E.I. be assigned responsibility for core funding to those groups.

5) That government make available to volunteer organizers of community festivals on P.E.I. the professional services of its tourism marketing specialists, that festivals be encouraged in strengthening their programs, and that greater recognition be given to festivals in the province's tourism promotions.

6) That government reinstate its Art Acquisition Program, challenging the private business sector to match it in such an undertaking, and highlighting each of its major acquisitions as a event of public interest.

7) That Government undertake a special marketing assistance program directed to the cultural industries, to be designed in consultation with the appropriate sectoral organizations within a restructured Council of the Arts, with special attention to the tourism and export markets.

6.4 Government as Catalyst

4. We propose:

1) That Government review all of its business assistance programs to ensure that support is as available to sound but risky business ventures in the cultural industries as they are to such businesses in other sectors; that is to say, that no distinction be made in program eligibility

between one type of business or another, where goods or services are being prepared for market.

2) That Government undertake to design, through its Department of Industry or through Holland College, a special business training package geared to operators of small business in the cultural industries, to be offered in conjunction with the discipline or sectoral organizations proposed within the P.E.I. Council of the Arts.

3) That Government undertake to develop a refined cultural industries typology and inventory, based on the work initiated in the course of this study, and that a system be established within each of the industries for the collection of on-going data to serve as the basis for further Government initiatives.

4) That Government respond to the urging of arts and cultural interests by designating a Department of Cultural Affairs, thus ensuring the cultural industries the same standing and consideration within Government as is afforded other major industries in the Province, with the same direct access to the Ministry.

5) That the two levels of government cooperate in establishing a central referral service, assisting operators in these industries to identify and access possible grants and contributions from any source.

6.5 Government as Regulator

5. We propose:

1) That Government implement the proposals contained in the brief submitted by the Council of the Arts in November, 1987, in the matter of Arts Education in the schools.

2) That Government commission an internal review of the role and status of all arts education within its school program, so as to ensure that due consideration is given to the development of artistic creativity wherever it emerges among students, and that students be encouraged in artistic endeavors.

3) That Government consider extending its school-subsidized activities to include a broader range of cultural activities, comparable to the effort currently being expended on school athletic programs, including the use of off-campus schools of theatre, dance, visual art, and music to supplement school resources where academic standards can be safeguarded.

4) That Government commission a professional external evaluation of the Holland College visual arts and commercial design programs, looking to the causes and remedies for their present state, and considering possible program alternatives to conform to market requirements.

7. FEDERAL-PROVINCIAL INITIATIVE

All proposals advanced in the report assume that additional resources will be made available for the development of the cultural industries on Prince Edward Island through a Federal-Provincial cultural agreement.

The report considers a possible relationship between proposals for the development of the cultural industries, the proposals previously accepted for the commemoration of the Birthplace of Canada, and proposals for stabilized funding for the Fathers of Confederation Centre of the Arts. It observes that the implementation of proposals relating to the Birthplace of Canada theme will require an expansion and strengthening of the cultural industries, so that those two projects are complementary and not competitive.

In the case of the funding for the Fathers of Confederation Centre of the Arts, it was noted that this facility exists as a national memorial to the Fathers of Confederation, and should not be reduced to competing with provincial cultural initiatives in order to remain viable as a national foundation.